

California Pollution Control Financing Authority

California Capital Access Program / ARB Independent Contributor for the Proposition 1B Loan Assistance Program

The California Capital Access Program (CalCAP) encourages banks and other financial institutions to make loans to small businesses that fall just outside of most banks' conventional underwriting standards.

CalCAP is a form of loan portfolio insurance which may provide up to 100% coverage on certain loan defaults. By participating in CalCAP, lenders have available to them a proven financing mechanism to meet the financing needs of California's small businesses.

Eligible Uses of Loan Proceeds

CalCAP insures loans made to small businesses to assist them in growing or maintaining their business. Loans in the Proposition 1B Loan Assistance Program can be used to finance 2007 or newer engine year model heavy-duty diesel trucks, or liquid natural gas (LNG), (over 14,000 GVWR). Only Borrowers who received an invitation letter from the Air Resources Board (ARB) stating that he/she qualifies to receive a grant from an Air Quality Management District will qualify for the Prop 1B Program.

Terms

The maximum loan amount is \$2.5 million and can be insured for up to 10 years. Lenders set all terms and conditions of the loans and decide which loans to enroll into CalCAP/ARB Prop 1B Loan Assistance Program. CalCAP, in conjunction with ARB, the Independent Contributor, will contribute 20% of the principal balance enrolled to a loss reserve account.

Loans or TRAC Leases can be short or long-term, must have an interest rate that is 20% or less, be secured or unsecured, and can bear any type of amortization schedule.

Program Flexibility

CalCAP offers lenders a mechanism to provide loans to small businesses that may not otherwise be able to get a loan. With CalCAP portfolio insurance, a lender is able to cover portions of loans that exceed the risk threshold normally set for most business loans. The Program allows;

- CalCAP provides insurance on a lender's portfolio of loans. Funds are placed in the loss reserve account as each CalCAP/ARB loan is enrolled.
- A bank can enroll all or a portion of a loan. CalCAP allows a lender to cover loans beyond its conventional risk threshold whether it is for all of a loan or only a portion.
- Loans up to \$2.5 million can be included in the CalCAP/ARB portfolio.

Eligible Lenders

Any federal or state-chartered bank, savings association or credit union is eligible to participate in CalCAP. A lender must certify that it is in good standing with its regulatory body (Federal Reserve, FDIC, Comptroller of Currency, Thrift Supervision, NCUA, or state banking authority). Other banks, such as Community Development Banks, and Financial Institutions may also be eligible.

<http://www.treasurer.ca.gov/cpcf/calcap/contributor/lenders.pdf>

How the Program Works

Borrower

- An individual that received an invitation letter from ARB applies to a Participating Financial Institution

Lender

- Enrolls each loan with CalCAP

CalCAP/ARB

- At time of loan enrollment approval pays a premium into the lender loan loss reserve account. The premium is 20% of the loan amount. At time of loss, pays claims submitted by lender

When a lender's first loan is enrolled, CalCAP establishes a loss reserve account for that lender. Each time a loan is enrolled in the Program, CalCAP in conjunction with ARB, (the Independent Contributor) contributes to the lenders loss reserve account.

The more loans a lender makes, the more dollars are deposited into the loss reserve account.

How the Loss Reserve Account Grows

Over time, as more and more loans are enrolled, a lender's loss reserve account grows substantially. For example, if a lender makes 10 loans totaling \$500,000, the lender will have \$100,000 in its loss reserve account. If one loan of \$50,000 defaults, the lender has immediate coverage of 100% of the loss. The lender must return any recoveries from the borrower, less expenses, to the portfolio loss reserve account.

Eligible Small Businesses

- The only eligible businesses in the Prop 1B Loan Assistance Program are those that have received an invitation letter from ARB stating that the equipment owner is eligible to receive grant money to purchase a newer, compliant vehicle.

Bill Lockyer

State Treasurer and Chair, California Pollution Control Financing Authority

Inquiries may be directed to CalCAP at CalCAP@treasurer.ca.gov.

The California Pollution Control Financing Authority complies with the Americans With Disabilities Act (ADA). If you need additional information or assistance, please contact the Authority at (916) 654-5610 or TDD (916) 654-9922.